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## On the Dialectics of Global Governance in the Twenty-first Century : A Polanyian Double Movement?

Patomaki, Heikki

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## **On the dialectics of global governance in the 21st century: a Polanyian double movement?**

### Introduction

Social scientists and political economists have used Karl Polanyi's concept 'double movement' in trying to make sense of the current neoliberal phase of world history. Following decades of intense economic globalization and market-oriented reforms across the world, Polanyi has been invoked not only to explain what is happening but also to give reasons for being hopeful about a different future.<sup>1</sup> In the flux of world history, nothing is eternal. From Polanyi we know that society is bound to protect itself against the market; and it seems certain that one change will be followed by a different one.

In *The Great Transformation* (1957, orig. published 1944), Polanyi argued that the Economic Man and self-adjusting markets are neither natural nor universal. Rather, they are relatively recent socio-historical constructs. The rise of (i) the calculative gain-orientation, (ii) the modern market economy and (iii) the modern liberal state are essentially connected. Prior to the great transformation in modern Europe, markets existed as an auxiliary avenue for the exchange of goods that were otherwise not obtainable. The market society was born out of the changes that emerged first in Britain.

Polanyi wrote *The Great Transformation* during the Second World War. The book opens with the words: "nineteenth century civilization has collapsed; this book is concerned with the political and economic origins of this event" (ibid., p. 3). Polanyi argued that in the age of industrial mass production markets have had detrimental social effects. He reasoned that a market society is not sustainable and

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<sup>1</sup> The following will be briefly discussed in this paper: Blyth, 2002; Burawoy, 2010; Cox, 1996; Dale, 2012; Gill, 2008; Gills, 2008; Helleiner, 1995; Lie, 1991; Maertens, 2008; Meier, 2008; Munck, 2007; and Silver & Arrighi, 2003. My aim, however, is to develop the idea of double movement further.

without a well-functioning economic basis, also the Gold Standard and balance of power system were bound to collapse:

[...] the idea of a self-adjusting market implied a stark utopia. Such an institution could not exist for any length of time without annihilating the human and natural substance of society; it would have physically destroyed man and transformed his surroundings into a wilderness. Inevitably, society took measures to protect itself, but whatever measures it took impaired the self-regulation of the market, disorganized industrial life, and thus endangered society in yet another way. It was this dilemma which forced the development of the market system into a definite groove and finally disrupted the social organization based upon it. (Ibid., pp. 3-4)

This and other similar passages suggest that Polanyi saw the double movement (construction of self-regulating market → social self-protection and decommmodification) as inevitable. The self-regulating market has social effects that evoke society to protect and reassert itself against the commodification of land, labour, social relations and many natural things. Assuming that this holds true also in the 21<sup>st</sup> century, we should expect society to rise once again to protect itself from the present-day version of the utopia of self-regulating markets.

In an alternative but compatible interpretation, which apparently explains also the shift to neoliberalism, maybe what we are experiencing is a political *pendulum* characteristic of the industrial civilization: a swing from markets to society leading, in the next phase, to a swing from society to markets, and so on, perhaps *ad infinitum* (or perhaps the pendulum will gradually come to a standstill as it loses its energy). Without the pendulum-metaphor, however, the contemporary countermovement may look more uncertain, since the conditions in the early 21<sup>st</sup> century appear rather different from those of the late 19<sup>th</sup> and first half of the 20<sup>th</sup> century.

Instead of an empirical regularity or occasional historical connection, however, the double movement can also be understood *dialectically* as a description of an irreversible historical development following its own inner laws or schemes of development. The best-known dialectical scheme is 'thesis & antithesis → synthesis'. Although Hegel and Marx rarely (if ever) used this trichotomy, it has been applied

widely, also to thinking about the double movement.<sup>2</sup> From this perspective, the post-WWII democratic welfare state was, as a synthesis, a historical novelty. It re-embedded markets in social relations and ethico-political considerations, and decommodified aspects of society (e.g. health and education), but in a different way from the mediaeval guilds or from the absolutism of the mercantilist state. Welfare state developments lasted for a few decades. Relatively soon, however, the twin processes of economic globalization and neoliberalization started to fashion a new antithesis. During the process, the spatial scale has been changing. Arguably, the next synthesis must be a globally orchestrated response to the dominance of the markets and for the protection of society on a planetary scale.

In the following, I explicate the limits of this tripartite scheme and develop it further by drawing on ideas from critical realist philosophical dialectics (Bhaskar, 1993; 1994), political theory and global political economy. Critical realist dialectics enables complicating and enriching the scheme of potential transformations. Mere negative critique or anti-thesis, perhaps understood in terms of reversing the process of commodification, is not sufficient for transformative action. A new synthesis solving the conflict between the thesis and antithesis, by uniting their common truth in a new way, would be required. Contra some interpretations of Hegel, a dialectical synthesis is neither preservative nor fully determined *ex ante*. Something is always lost; and many responses to a given contradiction (problem, lack etc) are possible. (Bhaskar, 1993, 320)

While many responses and figures of change are possible, not all of them are equally rational or viable. Ethico-political critique presupposes the plausible possibility of purposeful changes towards better context-dependent practices and institutional arrangements. (Sayer, 2000, p. 161) Agency and concrete utopias are prerequisites for any future transformations. Actors need to have an idea what possible, desirable and sustainable futures may lie in the 21<sup>st</sup>

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<sup>2</sup> It is often forgotten among Hegelians and Marxians that the central concepts and categories of dialectics are metaphorical extensions of *dialektikē tekhnē*, the ancient Greek art and craft of persuasion and argumentation. In the original context, the scheme 'thesis & antithesis → synthesis' made a lot of sense; and it can be a helpful way of thinking about various other processes as well. Similarly, in contemporary contexts of dialogue, debates, and processes of collective will-formation, involving political struggles, this basic scheme can be used fruitfully for the purpose of rationally reconstructing the ways in which arguments are built and actors are positioning themselves. See Rescher, 1977; and Eemeren & Grootendorst, 1984; 2004. The tripartite dialectical scheme is applied to the Polanyian double movement e.g. by Cox, 1996.

century. As history moves on and contexts change, abstract normative claims should rationally assume new directions.

There are also concrete geo-historical reasons why a simple Polanyian synthesis, such as democratic welfare state writ global, would not work. Even during its heyday, the welfare state was contested, often for good emancipatory reasons; and soon it became increasingly contradictory due to globalization. The scale, complexity and cultural pluralism of the world system as a whole make the global replication of the mid-20<sup>th</sup> century national-territorial solution highly unlikely.

Overcoming the contradictions of the liberal world economy is best seen as an evolutionary and path-dependent process of institution-building. Moreover, in the dialectical development of human understandings and social relations, the double movement is but an aspect and moment of a wider world-historical process towards critical-reflexive planetary ethics and politics. For decades it has been realised that contemporary global conditions comprise overpopulation, shortage of energy resources, ecological crisis, including global warming, and “the enormous enlargement of the risks involved in human activities and conflicts” (Apel, 1978, pp. 82-4; see also 1991). This multiplies relevant lacks, problems and contradictions, and thus also possible rational responses to them.

### Polanyi's historical double movement

What Polanyi sets out to explain in *The Great Transformation* is the occurrence of great power peace and war. Polanyi's method is dialectical (in the sense of Rescher, 1977, 1987 and 2006). He starts with a puzzle, a contrast between the 19th and mid-20th centuries, and moves along complex cycles which criss-cross the same ground from different angles in assessing claims, all in view of constructing his own explanation of the world-historical situation at hand (the end of laissez-faire, the rise of fascism, the Second World War). Thus Polanyi first outlines his main contrast and then proposes a far-reaching hypothesis: it was the 19th century self-regulating market system that led to the turmoil of the 20th century.

In order to prove his hypothesis, Polanyi's next task is to show that the real ground (and thus self-understanding) of economic liberalism is false. Thus he argued that the 19th century system was an artificial

and fairly recent historical construction. This takes him to scrutinise the emergence of the Economic Man, by using studies from anthropology to economic history.<sup>3</sup> By showing that humanity is social, not economic, by nature, he cleared the ground for a political economy analysis of the effects of economic liberalism and the ethico-political responses they evoked. Given the Hundred Years' Peace of the 19<sup>th</sup> century, disturbed only a few times by limited wars, the Great War and the subsequent turmoil came as a surprise to most Europeans. The collapse of the 19<sup>th</sup> century civilization led to two world wars and other catastrophes of the early 20<sup>th</sup> century.

Polanyi also makes use of another historical contrast. Whereas in the 18<sup>th</sup> century power-balancing practices had resulted in endless wars, following the great transformation and industrial revolution the worldwide context had become different. Given market and financial interdependencies of the 19<sup>th</sup> century industrialising world economy, the power-balancing system worked for peace – as long as it could be sustained. It was widely concluded that trade and investments require peace at least among great powers. “[W]hile business and finance were responsible for many colonial wars” (ibid., p. 16), it was “by functional determination [that] it fell to *haute finance* to avert general wars” (ibid., p. 13). Apart from the carefully orchestrated strings of finance, the 19<sup>th</sup> century system of peace was also premised on stable exchanges (the Gold Standard) and free trade.

These foundations of great power peace within the industrial civilization were precarious, however, and not only in their own terms but also because of their problematical *market* underpinnings: “[T]he origins of the cataclysm lay in the utopian endeavor of economic liberalism to set a self-regulating market system” (ibid., p. 29). Self-regulating markets were created by the modern nationally centralized states in Europe, evolving through the phases of mercantilism and 18<sup>th</sup> century economic liberalism. Evolving technologies reinforced and speeded up these processes, which then generated the 19<sup>th</sup> century industrial world economy. Productivity growth and other

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<sup>3</sup> See also Polanyi's later works on tribal economies and early civilizations, such as the volume edited by Polanyi, Arensberg & Pearson (1957, and esp. ch. XII by Polanyi himself). Polanyi stressed that only a few societies in the universe of all societies have been characterized by markets. For a debate about how to up-date Polanyi in the context of currently available data about Mesopotamian civilizations, see Renger, 2005; Silver, 2007. The problem with this debate lies in the assumption that people in the early civilizations had reflective consciousness, although there is ample archaeological evidence that reflective consciousness was only gradually emerging at the time; see Jaynes, 2000.

economic improvements, characteristically related to sea-born trade (i.e. mass production for external markets) and associated economic opportunities, came at the high social cost at home including:

- mass-scale human dislocation
- commodification of human labour
- unemployment fluctuating with business cycles

These developments are essentially connected. Mass-scale dislocation occurred typically through enclosures of common land, a process widely experienced as violent and unjust. This process meant in practice urbanization, especially after The Poor Relief Act of 1662 was partially repealed in 1795, and more fully in 1834 (the 1662 Act established the parish to which a person belonged and thereby strongly hindered physical mobility). Commodification of human work involves the rise of labour markets in industrial cities, where all or most of the means of living have to be bought from the market with money.<sup>4</sup> Employment contract generates power relations within the workplace and constitute a new category, unemployment, for those who are involuntarily without work and thus income. For the first time in human history, self-regulating markets, setting prices competitively by adjusting to supply and demand,<sup>5</sup> started to constitute social relations and determine the distribution of goods, employment and income, rather than the other way round.<sup>6</sup>

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<sup>4</sup> In spite of the overall positive Mortality Revolution of the 19<sup>th</sup> century Britain and other countries, urban life expectancy initially *dropped* quite significantly, especially among the slum dwellers and factory workers, due to the lack of hygiene and poor living conditions in the early industrial cities. Life expectancy in the cities was far lower than in the surrounding countryside. (Szreter & Mooney, 1998) Also the mean height of men *declined* in this period (Komlos, 1998). Thus arguably human degradation in the early industrial period was absolute; but see also note 7.

<sup>5</sup> Even in Polanyi's own formulation there is a risk of reading the present into the past (cf. note 6). "[The market system] assumes markets in which the supply of goods (including services) available at a definite price will equal the demand at that price." (Polanyi, 1957, p. 68) Theories of value – from natural and just prices to the commodity-theory of money and the land- and labour-theories of value – are constitutive of economic practices and their governance. Labour theory of value is compatible with industrial economy and markets, but the fully-fledged doctrine of price mechanism as the meeting of independently operating supply and demand originates in the second half of the 19<sup>th</sup> century. This doctrine rose with value subjectivism, which was adopted and developed by neoclassical economists.

<sup>6</sup> Polanyi criticises the Whig interpretation of history (cf. Butterfield, 1950) as linear long-term progress towards the 19<sup>th</sup> century market society. Polanyi's (ibid., p. 45) criticism still applies to neoclassical economics: "[...]the same bias which made Adam Smith's generation view primeval man as bent on barter and truck induced their successors to disavow all interest in early man, as he was now known not to have indulged in those laudable passions. The tradition of the classical economists, who attempted to base the law of the market on the alleged propensities of man in

The market makes a multitude of people vulnerable not only to the power of the employers but also to sudden economic changes, fluctuations and crises. The level of unemployment varies depending on the phase of business cycles. During a downward turn a multitude of people may find themselves in the most miserable parts of slums without any proper means of living or any real standing in the community. Business cycles are closely connected to changes in the world economy. In the 19<sup>th</sup> century they were connected especially through the Gold Standard. When a nation's internal prices diverged from international price levels, the only legitimate means for that country to adjust to the decline of gold reserves was by deflation. This meant allowing its economy to contract until declining wages reduced consumption enough to restore external balance. This implied dramatic declines in wages and farm income, a sharp rise in business and bank failures, and increases in unemployment.

In spite of what the 19<sup>th</sup> century “dismal science” may have indicated, the question was not about mere survival, not even for the very poorest slum dwellers, but also about human sociability and dignity and moral standing. Because the gain seeking Economic Man is a socio-historical construction, and “because the commodity description of labor, land and money is entirely fictitious” (*ibid.*, p. 72), the effects of gain-seeking and self-regulating markets concern our natural environment and the moral life of real human beings, and they must be, and have been, evaluated as such.<sup>7</sup> Polanyi distinguishes between constant tendencies towards the pollution of nature and degradation

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the state of nature, was replaced by an abandonment of all interest in the cultures of ‘uncivilized’ man as irrelevant to an understanding of the problems of our age.”

The standard reply by neoclassical economists tends to rely on Milton Friedman's instrumentalism: all assumptions are false anyway; what matters, is whether the theory can “predict” (e.g. Rottenberg, 1958). Thus North (1976) maintains that the logic of the Economic Man can be expanded (by taking into account side payments etc) to “predict” (i.e. postdict) at least some of the principles of earlier societal forms. See also McCloskey (1997) for a cavalier dismissal of Polanyi's account on the basis of an appeal to one authority (Philip Curtain) and a very brief discussion of classic Mayan civilization before 800 AD (providing some indirect evidence that Mayans understood “production-costs” in terms of distances from the raw material sources).

<sup>7</sup> What really happened to the material standards of living of working people in the early phase of industrialisation from the 1790s to mid-1800s or so remains an open question. Accounts vary and have changed over time (cf. the optimism of Lindert & Williamson, 1983 vs. the pessimism of Feinstein, 1998). Polanyi (1957, p. 129) was not concerned only with aspects such as wages or life expectancy. Citing Robert Owen, he maintained that poor people's situation in the first half of the 19<sup>th</sup> century was “infinitely more degraded and miserable than [it] was before the introduction of those manufactories”. Even though the employed workers might have been somewhat better off financially than before, in terms of their social environment, neighbourhood, standing in the community and craft (skills), the new situation compared very unfavourably.



of human life and development (Marx would have talked about “exploitation”), and the periodic cycles in which further and more acute destruction may occur. Overall, in the mid-19<sup>th</sup> century

...[t]he effects on the lives of the people were awful beyond description. Indeed, human society would have been annihilated but for protective counter-moves which blunted the action of this self-destructive mechanism. (Ibid., p. 76)

This is the double movement: the first moves consist of creating the market society; the second of counter-moves to protect nature and society from the market. For instance, the fictitious commodity of labour came to be shielded from the working of the market mechanism through protective institutions such as trade unions and factory laws, struggling gradually into being from the 1870s onwards.

Towards the turn of the century, suffrage became increasingly universal and working class an influential factor in the state. The state administrative functions had expanded already with the creation of *laissez-faire*. The clash of the organising principles of economic liberalism and social protection intermingled with the conflict of social classes via the state. The organising principles were articulated through concepts, ideas and theories that also constituted responses to various turns of history. The conflicts tended to be aggravated at the downturns and crises of the markets, nationally and worldwide.

Polanyi is in fact ambiguous on the role of theories and ideologies in constituting social protectionism. Polanyi clearly gives a major role to classical political economy and related theories (that among other things “discovered society”) in grounding the construction of *laissez-faire* market. Yet he also maintains that from the last quarter of the 19<sup>th</sup> century onwards the reasons for the self-protection of society were so undeniable that all parties – their ideological differences notwithstanding – started to favour protection against the market. This seems to conflate nationalist and socialist measures; and the general logic of market-intervention (that may rely on market-mechanism) and the more specific logic of decommodification.<sup>8</sup>

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<sup>8</sup> This conflation is understandable given Polanyi’s aim to explain the rise of fascism and national-socialism. However, as one of the anonymous referees of this paper stated, there is an important conceptual difference between the politics of conservative social protection (expressed as protectionism), and the politics of de-commodification (which has, at times, been the driving force of ‘anti-market’ and later ‘anti-globalization’ or ‘alter-globalization’ political struggle). Polanyi (1957, p. 144) lumps together all *contra*-free-market developments: “When around the 1870s a

Transnational industrial production involves long-term investments which are risky for investors. “Unless the continuance of production was *reasonably* assured, such a risk was not bearable” (Ibid., p. 75; italics HP). These risks were often addressed in military-security terms. The dangers of deflation posed by the Gold Standard, and the dependence on trade even for the basic means of living, intensified the interdependencies and dynamics of the world economy, within which struggles over the power and fate of national states took place. This dynamics had the potential of escalating conflicts. While the speed of economic growth in this period was unprecedented in human history, the Hundred Years’ Peace of the 19<sup>th</sup> century was thus vulnerable to the complex and contradictory dynamics of global political economy.<sup>9</sup>

### The return to the market: a puzzle to Polanyians

Following thirty years of crises and wars (1914-45), few people believed that the 19<sup>th</sup> century *laissez-faire* system would have any future – except a handful of old-school economic liberals, many of whom joined the Mont Pelerin society in the late 1940s. From the mid-1930s to the 1970s the world was dominated by various nationalist, socialist, and social/democratic movements and developments. Orthodox economic liberalism was all but dead.

In the 21<sup>st</sup> century it is evident, however, that history did not come to an end with the second part of Polanyi’s double movement. The “stark utopia” of the market has returned, albeit in a new form and in a new context. Whereas economic liberals find it difficult to explain the early-to-mid-20<sup>th</sup> century rise of the principle of social protection in

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general protectionist movement – social and national – started in Europe...”. See also the long list of various measures and phenomena that Polanyi provides on the same page, including what many Marxists would see as manifestations of monopoly capitalism.

<sup>9</sup> For an explanation of the First World War along these political economy lines, see Patomäki 2008, chs 2 and 3. Following the financial crisis and downturn of the early 1870s, and within the overall deflationary institutional and structural context, Britain’s attempt to secure demand for its industrial goods, also by protectionist and imperialist means, – however half-hearted those means might have been in practice – was perceived not only as a model to be followed but frequently also as a threat to the vital industrial interests of the new industrial countries. Some states responded in kind. The overall context was gradually becoming (also for the initiators of the process) more competitive and territorialist, as well as nationalist, imperialist and militarist. These developments constituted a process of mutually self-reinforcing securitisation. From the 1890s onwards, this process of securitisation led to a process of alliance reformations, then arms race and finally the war. The war was not unavoidable, however, and democratization and social reforms could have contributed to changes in the international context already in the 1920s.

its various guises,<sup>10</sup> the opponents of neoliberalism may find it equally difficult to grasp why the world has since the 1970s and 1980s moved to the opposite direction<sup>11</sup>. Diverse explanations have been proposed to make sense of these geo-historical twists and turns, and especially the developments of the late 20<sup>th</sup> and early 21<sup>st</sup> centuries. Several of the available explanatory narratives have been told in terms of Polanyi's 'double movement'.

Some authors invoke Polanyi simply to suggest a historical analogy. Thus Stephen Gill (2008, p. 24) uses Polanyian degrees of "embeddedness" to classify different "world orders in socio-political structures at the national or transnational levels" and then indicates a broad historical analogy between the two eras (*ibid.*, pp. 78-9, 146-7).

Similarly Mark Blyth (2002, p. 4), in his study of economic ideas and institutions, argues that "the political struggle between disembedding and re-embedding the market continues today, even though its contours have shifted". Blyth follows Polanyi in thinking that the ideas behind embedded liberalism were a rational response to a real crisis. Yet he appears puzzled by the late 20<sup>th</sup> century process of dis-embedding liberalism. Why a return to the market?

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<sup>10</sup> Polanyi (*ibid.*, p. 148) calls their interpretation as "the legend of antiliberal conspiracy", according to which it is ideological preconceptions or narrow group interests, or "impatience, greed, and short-sightedness" (*ibid.*, p. 142), which are to be blamed for the rise of social protection at the end of the 19<sup>th</sup> century and early 20<sup>th</sup> century. In contrast, after having discussed this issue at some length, Polanyi concludes that "everything tends to support the assumption that objective reasons of stringent nature forced the hands of the legislators" (*ibid.*, p. 148).

<sup>11</sup> Many neoclassical economists maintain that currently prevailing "modern" economic theories have been a rational response to the problems of Keynesianism. The critics of neoliberalism disagree with this story, of course, but they do not provide a shared single interpretation to replace it. The French regulation school equate Keynesianism with the Fordist regime of accumulation and neoliberalism with post-Fordism, presupposing the classical Marxist base/superstructure distinction (e.g. Amin, 1994; Boyer, 1998; and Tonkiss, 2006: ch 4). David Harvey (2005) attributes neoliberalism to an ideological attempt to restore the position of upper classes, while Peter Gowan (1999) focusses more on a related to restore the position of Britain & US in the world economy. These are at best partial accounts. For instance, what is called 'post-Fordism' is actually a result of a mixture of processes that include the deepening of consumerism and product-differentiation (an important explanation of economic concentration); the development of new communication and information technologies; transformation of relations of power within the workplace in favour of professional management and owners; and the application of ideas of neoclassical economics to management first in private and then in public organisations. Thus "post-Fordism" is more a result of the hegemony of neoliberalism than its explanation.

In Blyth's assessment, the second set of transformations might have been less consequential than the first, though this is debatable. What is clear is that the 19<sup>th</sup> century institutions have not been fully restored. These qualifications aside, Blyth contends that neoliberalism is "simply a warmed-over version of the ideas that embedded liberalism had seemingly defeated back in the 1930s" (ibid., p. 126). Geo-historical economic and institutional conditions may have facilitated the revival of the market utopia, and Blyth makes a strong case for thinking that ideas matter, yet the reasons he gives for the rise of neoliberalism are far from compelling.

Eppo Maertens (2008, p. 143) points out that we need "to look for an ideologically grounded theory to explain the persistent influence of the idea of self-regulating markets". He suggests that Hegel's theory about negotiating freedom and recognition could provide a clue for understanding the wide appeal of neoliberalism. The liberal notion of freedom, which is closely associated with private property, is deeply ingrained and cognitively forceful. The thrust Maertens' argument is that neoliberalism can be ideologically appealing, although ultimately it is illusory and cannot provide a genuine experience of freedom.

More concrete in his discussion than Maertens, Brian Meier (2008, p. 160) observes important differences between the two geo-historical eras. In the era of neoliberal globalisation, in spite of formal democracy in the core countries, capital seems to be in control of states and their policies, whereas mass media exerts powerful sway over the minds of citizens. Meier asks whether it "[will] take another crisis of such a magnitude as the Great Depression or worse to mobilize against the market utopia?" Perhaps it will, but Meier does not explain why capital has turned so all-powerful and why media is spreading the message of neoliberalism rather than ideas stressing the values of the social. Meier's explanation of the geo-historical *turn* to neoliberalism is unsatisfactory, although he is correct in stressing the power of media to propagate ideas and images.

In the absence of a convincing and sufficiently comprehensive explanation, should we be content with a simple *pendulum* model of modern history? Perhaps the organising principles of economic liberalism and social protection and all the forces behind them interact in such a manner as to generate a pendulum? Perhaps each swing will take a crisis of some sort? Under the current circumstances it may thus be asked whether "the recent global

financial crisis heralds a pendulum swing from neoliberalism (or ‘market fundamentalism’) towards a form of socially coordinated capitalism, or towards ‘more of the same’” (Dale, 2012, p. 3; also Gills, 2008). The pendulum-metaphor would seem to fit broadly with the contour of historical facts, indicating that a new swing is possible in the future. Is there anything more we need to know?

### Towards a better explanation of the market-revival

It seems difficult to explain the revival of the market in Polanyian terms. Michael Burawoy (2010, p. 307; also Dale 2012, p. 11) points out that in the 1940s Polanyi explicitly rejected Marxism. For that reason Polanyi downplayed the possible explanatory role of private ownership of means of production and the related imperatives for new sources of profit and capital accumulation. The democratic welfare state regulated workplace practices and corporate behaviour in many ways, but did not question profit-seeking and private property *per se* or the autonomy of the owners (or corporate managers as their representatives) to make investment and other operational decisions. Perhaps herein lies the key to explaining the rise of neoliberalism?

What is more, the post-Second World War model of embedded liberalism (democratic welfare state) relied on the institutional arrangements of the original Bretton Woods system that lasted from 1944 to c. 1973. The essence of the embedded liberalism compromise of the Bretton Woods system was to devise a framework which would safeguard and even aid the quest for domestic stability and legitimization, “without, at the same time, triggering the mutually destructive external consequences that had plagued the inter-war period” (Ruggie, 1982, p. 393). The aim was to avoid imposing deflation and trade wars, and to keep the world economy open and expanding. Moreover, the Bretton Woods system also represented a partial victory of productivism over financial capital: the Bretton Woods systems deliberately constrained the freedom of movement of financial capital (Gill, 1997, p. 7). The Bretton Woods arrangements worked for a while.

Rounds of free trade negotiations ensured the expansion of the world economy and increased the openness of national economies. Transnational corporations re-emerged in the 1950s and 1960s and assumed again the centre stage of the world economy. The evolvment

of offshore financial centres, tax havens and Eurodollar markets further increased the transnational mobility of capital. Globalization in this sense implied new *exit options* for private, productive capital and new room for manoeuvre for financial capital. Less bound by the national state, those responsible for investment and other operational decisions have been increasingly able to set tacit or explicit conditions on state policy (“business confidence”). Power relations have changed.

Assuming with Michał Kalecki that the private owners of means of production and managers of corporations are structurally liable to the utopia of the market,<sup>12</sup> economic globalization would seem to explain the transformation of the late 20<sup>th</sup> and early 21<sup>st</sup> century. Due to globalisation, state strategies based on attracting trade, production and finance in terms of ‘business confidence’, or by improving capital’s position in the world economy, may work to a degree and for a while, and thus be represented as a model to be followed by the others. Media too can be privatised and bought, and thus brought closer to conveying the utopic message of the market. The ambiguities of the Hegelian theme of freedom and recognition can be exploited to strengthen the popular attraction of this utopia.

If this picture is basically correct, as Robert Cox (1996, p. 528) among others insist, we should expect the next step to be a protective response on a global scale. While the first Polanyian double movement was instituted through the modern national states, the second must be realised largely via emerging systems of regional and global governance.<sup>13</sup> Looking into the future, Cox is explicit in using the language of thesis and antithesis in describing the overall movement:

“...a protective response at the level of global society has yet to take form. Yet the elements of opposition to the socially disruptive consequences of globalization are visible. The question remains open as to what forms these may take, as to whether and how

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<sup>12</sup> Kalecki (1943) famously argued that the business leaders and capitalists tend to wish to create circumstances in which policies depend on their confidence; the scope of free markets are maximised; and hierarchical power-relations in the workplace are ensured. This they are willing to do in spite of the real (but contested) macroeconomic effects of their preferred free-market policies (less growth, more unemployment and inequality, and more volatility, turbulence and crises).

<sup>13</sup> The relatively recent rise to prominence of the term “governance” is closely associated with the market-oriented theories, stories and blueprints of neoliberalism (e.g. Taylor, 2000), and more generally with the prevailing geo-historical formation that Foucault (1991) has labelled as “governmentality”. Aware of the risk of reifying neoliberalism, I will rather use other related concepts whenever appropriate, such as arrangement, government, organization and rule.

they may become more coherent and more powerful, so that historical thesis and antithesis may lead to a new synthesis.”

Cox talks about a *new* synthesis, but does not develop this idea further. “People, collectively, may be confronted with an opportunity, but whether or not they take it is up to them. Human agency, conditioned by past experience, is the ultimate maker of history.” (Ibid., p. 533) What is evident from Cox is that global collaboration and new forms of global political agency are required. At the same time Cox warns about “moral exhortation” and “utopian schemes”. It is indicative of his attitude that he emphasizes the progressive aspect of the 1990s multilateralism, and discusses briefly debates within the UN system. He also mentions that international organizations should be made democratic. But are Cox’s remarks enough for understanding the conditions and goals of the possible turn away from the market and towards new global forms of social embedment?

### Constructing the double movement: the problem of agency

There is more than a trace of functionalism in Polanyi. The double movement is not only supposed to be inevitable but also to occur almost semi-automatically. (Cf. Dale, 2010, p. 10, citing Ronaldo Munck’s unpublished manuscript) This presumption does not accord with the historical record. While the working class movement in England and elsewhere emerged from a variety of socio-economic conditions, it was *actively made* by socialists who believed in its world-historical role. In other words, whereas trade unions, various associations and societies, and labour or socialist parties constituted the pivotal transformative agency of the modern world (roughly from the 1870s into the 1970s), the agency itself was made by active human and social actors. In E.P.Thompson’s (1966, p. 194) well-known catchphrase: “The working class made itself as much as it was made”.

This process of making a class identity was based on shared understandings about problems (lacks, contradictions etc); shared values (solidarity, collectivism, mutuality, political radicalism and Methodism); and a sense of common fate defined in terms of specific goals and socialist utopias. Democratic political actors must also learn to recognise universal equality, accept political pluralism and the legitimacy of different viewpoints, and approve the rule of law.

Overlapping traditions and proximity in industrial cities facilitated developing common ethico-political ideas and, as their counterparts, effective organisations. Working class ideas (and related debates around theories of political economy, history etc) became constitutive of the identity and interests of trade unions, left political parties etc. The process of making a movement in this sense can take decades.

These experiences can be generalized. Any new ethico-political 'synthesis' is dependent on human conceptual and organizational work. Moreover, the simple tripartite scheme of dialectical change (thesis → antithesis → synthesis) should be demystified and pluralised by using further dialectical categories and conceptual possibilities. Dialectic itself is not a unitary phenomenon but consists of many figures and topics (Bhaskar, 1991, p. 146; Collier, 2002, p. 157). In abstract, dialectics cannot provide a theory of any particular changes. Yet its metaphors, analogies, narratives and schemes can yield various insightful hypotheses both for explaining past changes and for scenarios about possible and more or less likely future changes.

Thus the dialectical notion of unity of opposites can be used critically to reveal the inner tensions and complexities of Polanyi's basic categories, the market and the social. It has been pointed out that Polanyi's concept of the market is highly idealised and abstract, in effect neoclassical (Lie, 1991). It is thereby stripped-down of the necessary social underpinnings of real markets, such as communication, cultural meanings, trust, knowledge, competences, relations of power and institutional structures. This makes it difficult to explain how real capitalist markets function (for instance marketing leading, via cultural meanings, to product differentiation that co-generates degrees of monopoly and barriers of entry). It also hides different possible ways of organising markets (for instance, workers' cooperatives or democratising finance for new enterprises).

Because of Polanyi's highly idealised and abstract concept of the market, he is then misled to lump together all forms of "social protection", even when the protection may serve the purposes of, say, large landowners' specific interests or militarist nationalism. The drastic curtailing of the market may also coincide with an assault upon the rules, customs and institutions that protect labour rights, as in Nazi Germany or Soviet Russia. Against Polanyi, it is also true that an enlightened capitalist may realise that healthy, highly skilled



and motivated workers are better for production than miserable slum-dwellers with barely any substantial know-how or skills (in the OECD world, the latter have been largely replaced by machinery). In other words, there is no singular 'thesis → anti-thesis → synthesis' movement. Rather reality involves complex multi-path developmental processes that can be interwoven or contradictory in various ways.

There are many possible outcomes of the dialectic of thesis and antithesis: a simple refutation of a relevant proposition; a combination of the opposing assertions; a synthesis by making a general claim, preserving the insights of both thesis and antithesis; or a qualitative improvement of the dialogue by means conceptual complexification and innovation, perhaps taking the dialogue to a new path or level. Many dialectical moves are un-anticipatable.

Similarly one can argue (i) that there are many possible rational directions of world history, some of which can be at least in some regards un-anticipatable, and (ii) that these directions are also a matter of dialectical disputations, always occurring under concrete world-historical circumstances. This is what the openness of world history means. Any claim about rational tendential directionality of world history has to be understood as a normative dialectical argument *within* the meaningful human sphere of the cosmos.

It is thus clear that the new double movement will not come about semi-automatically, but can only be realised through transformative praxis. The rational tendential directionality of world history is contingent upon a transformative praxis, a process which is in turn dependent upon the rationality of participating individual actors (Bhaskar, 1993, p. 91). Rationality cannot be confined to any particular agents or collective category. The minimal meaning of rationality is openness to reasons and learning. Once context-specific learning has taken place and a reasonable direction been set, the next logical step is the process of constructing transformative agency, in a manner analogical to the making of the working class in the 19<sup>th</sup> and early 20<sup>th</sup> century. But is there anything analogical in the 21<sup>st</sup> century?

A lot has been said about the new social movements, NGOs and global civil society. Among others, Ronaldo Munck (2007) discusses the anti-globalisation movement and various local transnationalisms and transnational political actors as possible carriers of the Polanyian

second movement in the global age. The problem is that most of these actors tend to be re-active rather than proactive, responding to the latest round of neoliberal initiatives by trying to mobilise resistance against them. When these civic actors are pro-active (pushing for e.g. a global financial tax or debt alleviation), they try to shape the public opinion via mass media, lobby law-makers within national states and influence negotiators in international organizations. In a few occasions, this pro-active road has been successful, but usually only after a long delay and in rather exceptional circumstances.

Non-governmental organisations (NGOs) and advocacy groups and networks have limited agendas and legitimacy. They need the support of states to initiate any changes. Since 2001, the World Social Forum (WSF) has been forging links and ties of solidarity among diverse actors. Although the WSF may seem a party of opinion when defined negatively against neoliberal globalisation, imperialism, and violence, it remains a rather incoherent collection of diverse actors with no common direction; and the WSF itself is usually defined as an open space, lacking agency. At best the WSF is based on minimally shared understanding about the problems (lacks, contradictions). It is divided over whether the aim is to defend local or national autonomy or build new regional or global institutions, and there are many disagreements over specific proposals as well.

The question of transformative global agency concerns rationality and developments that may take decades. It cannot be settled on the basis of available empirical evidence in the mid-2010s. The making of a collective agency is a process of active and reflexive engagement within the world in which we seek to achieve the unity of theory and practice in practice (Bhaskar, 1993, pp. 8, 158-61). Therefore, if the argument is that new global institutions and powers are needed and that they have to be democratic, theory/practice consistency requires that the transformative praxis itself has to be capable of collective will-formation and democratic decision-making. Transformative praxis has to be also processual, developmental and directional, involving political programmes specifying aims and concrete utopias. Its organizational forms must be compatible with these requirements.

The transformative praxis itself can be transformed on the basis of past experiences and criticism of them. There is a quest for new forms of agency such as a world political party. A democratic organisation

must be capable of learning from the past setbacks.<sup>14</sup> Political parties have tended to become elitist, if not outright hierarchical. A global political party would have to recognise, on the one hand, the limited practical possibilities of many to become transnational activists, whether members of the party or not. Therefore, the party should work systematically to widen the social basis of activists and dedicate a substantial part of its resources for this purpose. It would also have to be committed to the re-organisation of institutions of mass media and systems of education for the purpose of encouraging public virtues and making citizens well-informed (cf. Patomäki, forthcoming).

The main purpose of the world political party – or global Polanyian movement more generally – would be to transform existing global institutions and to create new ones, in order to overcome the structural power of transnational capital and various contradictions of global political economy. By democratising globalisation, the movement would enable processes of decommodification and new ‘syntheses’ concerning the market/social nexus.

### Overcoming contradictions in global political economy

The world economy has existed for a long while. For Polanyi (1957, p. 89), “the old world was swept away in one indomitable surge toward a planetary economy” in the early 19<sup>th</sup> century. Yet in his mid-20<sup>th</sup> century book Polanyi failed to consider alternative ways of organising and shaping what he called “the new and tremendous hazards of planetary interdependence” (ibid., p. 181). This was a major lacuna of his work. In the first half of the 21<sup>st</sup> century, planetary interdependence is the key to understanding action-conditions.

Common institutions are best seen as rational responses to various problems, lacks and contradictions. Often especially contradictions trigger change. What is a contradiction? Incompatibility at the most

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<sup>14</sup> In Patomäki (2011) I ask: how would it be possible to combine (1) the capacity to establish an overall, binding direction to the activities of the party with (2) a democratic process of will-formation that also maximises its learning capacity? In an Arendtian or republican manner, a global political party could combine a self-selected core of cosmopolitical activists with a wide basis of more passive supporters. However, unlike Arendt, the party should not fail to theorise the social conditions and structures co-determining the self-selection of those who care and are willing to take the initiative. For the party, ‘the obvious inability and conspicuous lack of interest of large parts of the population in political matters as such’ would not be a given condition but something that can be, at least in part, changed.

general level means that something cannot be and be not in the same respect and at the same time. Also actions may be contradictory if they can and are likely to defeat their own purpose. Contradictions in this sense can arise from incorrect beliefs about how things work (e.g. if one mistakes poisonous substance for medicine) or from the lack of generalizability (e.g. if everyone wants simultaneously to avoid losing money by withdrawing all their savings from a bank that is considered shaky). The latter is a case of fallacy of composition, which can lead through a self-fulfilling prophecy to a bank run.

Finally, contradictions can occur also at the level of social systems, if there are organizing principles that work against each other, or if an organizing principle generates a force that either tends to produce or is itself the product of conditions which simultaneously or subsequently produce a countervailing force (Bhaskar, 1991b, p. 110). Real world contradictions are not categorical because whether the contradicting forces cancel each other out – or whether one force in the end annuls the other – depends on contingent circumstances (e.g. false beliefs: how much poison one takes; bank runs: how many individuals are in fact withdrawing their savings simultaneously).

There are diverse contradictions in global political economy. They depend on real geo-historical interdependencies and processes: what actors believe and how they behave, how markets are organised, and what kinds of collective institutions are available. Consider a few characteristic examples of contradictions in the early 21<sup>st</sup> century global political economy. A Keynesian welfare-state can be contradictory in an open and liberal world economy simply because corporations can move their tax base elsewhere if they consider the level of taxation to be too high. This depends of course also on what factors other than taxation determine investment decisions.

Current account deficits and surpluses cancel out – their total sum is always zero – and in that sense it is impossible for all the states to be on surplus simultaneously. The degree to which states prioritise current account surplus varies, however, and some of them can find deficit acceptable, at least for a while. The real causal effects of this incompatibility depend thus on complex circumstances.

Many states are committed to improving their current account balance by enhancing their “competitiveness”. The problem is that attempts to increase cost competitiveness through internal

devaluation tend to prove contradictory. Imagine a simplified world of only two countries. Both try to enhance their competitiveness by putting down wage-level or taxes and social benefits. As a result, neither country emerges as more cost-competitive than before, but due to deflation in both countries, they face smaller export markets.

There will be less efficient demand in the system as a whole, thus a weaker basis also for economic growth (or worse, there will be a recession or even depression in both countries). The characteristically dire social consequences of this kind of policy turn out to be counterproductive also from the viewpoint of its own publicly expressed rationale, namely GDP growth. In the world economy of almost 200 states – all much wealthier and populous than in the 19<sup>th</sup> century, and many with in-built automatic stabilisers and inclination to resort to Keynesian measures in downturns despite the prevailing neoliberal prescriptions – the policy of competitiveness generates a deflationary *tendency*. This tendency is partially analogical to that of the Gold Standard, although generating effects less strictly.

Even when state actors' awareness develop and they stop seeing the social context in mere parametric terms (as an 'external thing-like environment'), and when they become aware of the strategic interactions and game-like situations between individual actors (Elster, 1978, p. 159), they may still reify theirs and others' interests and options. For instance, governments may recognize that economic globalisation is a Prisoner's Dilemma game, where states compete in attracting investors by means of neoliberal reforms, which may be seen as less than fully desirable because of their negative effects on democracy, social justice and security, well-being, and indeed on economic growth. However, because of the reifications of interests and strategic options, the individual state-actors still do not know how to resolve the contradiction between individual and collective rationality – and this reification and incapability may also be a co-result of other interests playing a role in the communication and learning processes.

Political economy contradictions can be resolved by means of collective actions and by building more adequate common institutions (Patomäki, 2013, pp. 164-93). For instance, it is possible to build a mechanism by means of which world trade surpluses and deficits are automatically balanced through tax-and-transfer (based on Keynes' International Clearing Union, the Brandt Commission proposals, and other more recent proposals). These kinds of institutions can be

characterised as global Keynesian, framing questions of public economic policy and politics reflexively on the world economic scale. Global Keynesianism aims to regulate global interdependencies in such a way as to produce stable and high levels of growth, employment, and welfare for everyone and everywhere, simultaneously. This requires new common institutions.

New common institutions will evolve in an evolutionary fashion by replacing aspects of authority of territorial sovereign states with more adequate (social, Keynesian, democratic etc) global arrangements and organizations; in other words by overcoming definite lacks, absences, problems and contradictions step by step, institutional reform by reform. There is no reason to think about these kinds of reforms and evolutionary changes as piecemeal and always separate, however. From a dialectical perspective, processes are seen in relations of mutual dependency (Ollman, 2003, pp. 18-19, 157-8). Different processes are often connected and interwoven through internal/conceptual relations; but they do interact causally, too.

A series of feasible and compatible political economy reforms can be put together and forged into a *strategy* of democratic global Keynesian transformations.<sup>15</sup> Accumulation of relatively small ("quantitative") changes in specific areas may lead to ruptures and sudden transformations ("qualitative changes") in others, as issues and processes are linked. After a critical point, changes towards a particular direction can become mutually (self-)reinforcing, and this may also be their deliberate purpose. As a result one world-historical developmental path comes to be replaced by another.

### Collective learning towards holoreflexivity

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<sup>15</sup> Strategies must be reflexively context-specific. In the aftermath of the Asian crisis, and at the time of the rise of the World Social Forum, I argued with Teivo Teivainen that by tackling important aspects of the power of finance and by creating democratic forums and new public sources of finance, the world political context can change. Most importantly, by relieving the effects of debt and short-term finance on the policies of states, the debt arbitration mechanism and CTT would make a number of states also more autonomous in the WTO negotiations. Also, for instance, UN reforms will become more likely once new sources of funding the UN system have been institutionalised. (Patomäki & Teivainen, 2004) All these reforms are still needed, and it is still true that partial reforms will in this way create new opportunities for further transformations, but by mid-2010s the world-political context has changed, not least in terms of potential transformative agency. I will return to this point in the conclusion.

Like Cox and many others, Joseph A. Camilleri and Jim Falk (2009, ch 5) propose that the colonisation of society by market forces is now proceeding on a truly planetary scale. Camilleri and Falk try to find empirical evidence of an emerging Polanyian trend for global social protection. The problem is that they do not look beyond the current empirical patterns. They avoid discussing the rational and normative basis for transformative agency. With great difficulty, Camilleri and Falk depict a few positive trends: the internet and global civil society indicate emergent forms of agency. Disappointed, they see more reasons to be hopeful in the field of environmental protection.

Camilleri and Falk are right, however, in arguing that contradictions are not confined to political economy. From a dialectical perspective, learning to absent various lacks and to overcome contradictions is at the heart of all human geo-historical developments. Human developments at one moment tend to result in new lacks and contradictions in the next geo-historical moment. Further learning, conceptual work and collective actions may or may not take place. If this does take place, new levels of human consciousness make new social practices and institutions possible. This holds true also for the contemporary industrial world, the growth of which has resulted in manifold unintended consequences, potentially counterproductive to the sustainability of planetary systems of life. Ethics and politics are increasingly concerned with the future of life. (Apel, 1992, p. 224)

Camilleri's and Falk's (2009) concept of *holoreflexivity* is a remarkable attempt at contributing to the making of a global transformative agency. The Greek term *holo* means 'whole'. Holoreflexivity, Camilleri and Falk envisage, is the next logical step in the mutually reinforcing processes of increasing organizational complexity and personal and institutional reflexivity under planetary conditions. Reflexivity denotes the capacity to reflect upon the conditions of one's being, agency and actions, also in view of shaping those conditions. Thus holoreflexivity involves a comprehension of the mechanisms, structures and processes of the whole. As a form of understanding, "it is global in that it encompasses all social groupings, communities cultures and civilisations, and planetary in that it comprises the totality of relationships between the human species and the rest of the biosphere" (Ibid., p. 537).

Global warming, overpopulation, pathogens, shortage of resources, weapons of mass destruction and so on are often understood as risks

that require global responses (Beck, 1999). Many of these problems can also be conceptualised as self-generated contradictions, and especially in terms of counterfinality. For instance, resistant pathogens can result from the widespread use of anti-biotics and global warming from industrial growth. As the number of risks, problems and contradictions multiplies, so does also possible rational responses to them, constituting reasons for holoreflexivity. Material conditions are pushing moral learning.

Arguably, holoreflexivity (or something equivalent, such as Apel's planetary macroethics) is a condition for the rise of global movements promoting more functional and legitimate common institutions. This raises a further question: is it possible to deliberately facilitate collective learning towards holoreflexivity? The task becomes twofold: (i) to enable maximal moral learning among the world-population by and large; and (ii) to create adequate global institutions to ensure and facilitate planetary co-operation, to overcome contradictions and to resolve social conflicts. These are two aspects of the same task.

The mechanisms and processes of collective learning can be illuminated by means of an evolutionary model of social change (adopted, with modifications, from Harré, 1979, pp. 355-83). Mutations (M) are rules, practices and institutions. Selection conditions (S) are formed by the context of action of the actor who innovates, adopts or supports the adoption of  $M_i$ . The design of common institutions should thus aim at creating a social context in which the S-conditions are supportive of maximally wide and as high-level ethico-political learning as possible. This kind of a context would also be predisposed towards new innovations (M-conditions), which, if established, will become part of the new S-context. A virtuous circle may emerge.

Moreover, as different processes are connected and interwoven, the Polanyian double movement and attempts to respond to global environmental and other problems can be linked in many ways. For instance, it may be that global warming requires global Keynesian responses, such as a democratically organised global greenhouse gas tax and world public investments, rather than a cap-and-trade system premised on the market. Breakthrough in any one area of governance can become a model to be followed in others. In a world where processes are in relations of mutual dependency, collective



learning towards holoreflexivity, and new institutional innovations, may well contribute to the end of the dominance of the market-utopia.

### Concluding remarks

We are inhabitants of a world of multiple processes and tendencies. As Bhaskar (1993, p. 261) argues, this world is characterized “by complex, plural, contradictory, differentiated, disjoint but also coalescing and condensing development and antagonistic struggles”. World history is not a smooth, linear development to any direction, however rational that direction may be. As processes are subject to regression, entropy and roll-back, we cannot expect real geo-historical processes to be anything but a messy affair.

It would be a mistake, however, to conclude that because developments are not smooth and linear, and because many developments seem regressive or chaotic, there is no rational tendential direction to world history. My argument suggests rational tendencies towards global Keynesian and other holoreflexive systems of governance, enabling processes of decommodification and new ‘syntheses’ across the planet concerning the market/social nexus.

The rational tendential directionality of world history is contingent upon a transformative praxis. If and when the transformation becomes self-reinforcing, learning will occur across the political spectrum and different organizations. A global political party – or parties – may nonetheless prove crucially important in this medium term future transformation. Once at least some democratic global Keynesian and holoreflexive institutions are in place, democratic political parties will be essential for their legitimate operation.

Simultaneously, local, national and transnational political possibilities are being expanded by constructing adequate worldwide institutions to regulate, tax and shape transnational capital. Thus ethico-political aspirations to move beyond the limitations of the past welfare state models – these aspirations were vocal already in the 1960s and 1970s, prior to the rise of neoliberalism<sup>16</sup> – can be met by

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<sup>16</sup> For instance, in Sweden in the 1960s and early 1970s, processes of ethico-political learning and unlearning; responses to various global problems and skirmishes; and the ideals of the socialist emancipatory project; led in many places to aspirations to move beyond that model. This happened at the time when the intrinsic and extrinsic conditions of social-democratic power-mobilisation were already rapidly changing (Patomäki, 2000, pp. 125-8; Ryner, 2002).

reforming the social and ethico-political underpinnings of the market. The point of global reforms is also to increase autonomy and new possibilities.

Emergence is real. At any given time it is possible that new powers, structures and mechanisms emerge and existing ones disappear. Democratic global Keynesianism is only a provisional end-point, subject to contestations and debates about its merits. It will generate lacks, problems and contradictions of its own and will be followed by other possibilities. World history is an on-going, unfinished and unbounded process that can only be anticipated to a point.

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